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SUBJECT: SAARC: REGIONAL POLITICS LIMIT POTENTIAL

¶1. (SBU) Summary: The South Asian Association for Regional Cooperation (SAARC) lacks clout among its member states, preventing it from reaching its full potential. SAARC has facilitated some regional economic and social cooperation, but has little influence over regional geopolitical issues. The SAARC Secretariat is very small, with only 30 staff members. Member states are responsible for implementing SAARC initiatives, many of which wallow for lack of capacity, resources, and political backing. SAARC will hold its next summit in Thimpu, Bhutan, April 28-29, 2010. End summary.

¶2. (SBU) This report draws on meetings with SAARC Secretary General Sheel Kant Sharma, SAARC Indian Director Vinay Kwatra, Tribhuvan University Professor Bishwambher Pyakuryal, and Kathmandu-based Indian, Pakistani, and European diplomats.

SAARC: An Underutilized Institution

¶3. (U) The South Asian Association for Regional Cooperation (SAARC), established in 1985, aims to foster economic and social development in its eight member states. (Note: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka are the original members; Afghanistan formalized membership in 2007. Nine countries are observers: Australia, China, the EU, Iran, Japan, Mauritius, Burma, South Korea, and the United States. End note.) Sheel Kant Sharma, the former Indian Ambassador to Austria and international organizations in Vienna (2004-08), was appointed the Secretary General of SAARC in March 2008 for a three-year term. The position of Secretary General rotates among member states in alphabetical order; the next Secretary General will come from Maldives (after India in alphabetical order), beginning in March 2011.

¶4. (U) The SAARC Secretariat, based in Kathmandu, coordinates SAARC activities and serves as the channel of communication between member states and international organizations. The Secretariat is small (less than thirty people), with almost no in-house capacity to implement programs; instead, SAARC outsources technical work as needed. Indian Director Vinay Kwatra compared SAARC's meager resources to the comparatively-robust secretariat of the Association of South-East Asian Nations (ASEAN), which has more than 150 staff members.

15. (SBU) Most regional and international observers believe SAARC is an ineffective, underutilized institution. Rivalry between India and Pakistan limits SAARC's ability to serve as a regional forum, especially in the area of cross-border trade. Individual members interact with neighboring regional bodies such as the Shanghai Cooperation Organization, the Association of South-East Asian Nations (ASEAN), and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), but SAARC itself has limited involvement with these institutions. Secretary General Sharma said he has been promoting expanded cooperation between SAARC and other international organizations, specifically the Asia Development Bank and the United Nations Development Program.

Facilitator, Not Implementer

16. (SBU) Ambassador Sharma painted a pessimistic picture of SAARC's ability to increase its regional influence. SAARC's focuses on trade, economic, and cultural integration, not political affairs. Its role is to facilitate meetings and allow member governments, even those with politically "frosty relations" like India and Pakistan, to work together on larger thematic issues. Because most action lies in the hands of individual governments, SAARC cannot do any more than what member governments are willing to do -- and this is where the potential for regional cooperation is wasted. Sharma used SAARC's counterterrorism efforts as an example. A number of regional instruments are in place, including a mutual legal assistance treaty signed in Colombo in 2008, to

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encourage cooperation and information exchanges. The governments have yet to implement these instruments, and SAARC states continue to approach counterterrorism in a disjointed, ad hoc, stove-piped manner.

Regional Vision?

17. (SBU) SAFTA's major accomplishment, according to SAARC India Director Kwata, is the development of "concrete regional perspectives" on a host of key issues, from agriculture to health, disaster management to human trafficking. SAARC's ten "regional centres" are developing concrete plans to advance SAARC's regional action plans, but Kwata admitted that implementation relies on member states, many of which lack capacity. SAARC has two regional centres in Bangladesh (agriculture and meteorological), two in India (documentation and disaster management), two in Nepal (tuberculosis and information), two in Pakistan (human resources and energy), one in Sri Lanka (cultural), one in Maldives (coastal zone management), and one in Bhutan (forestry).

18. (SBU) Kwata also highlighted SAARC's three-year-old, USD 300 million regional development fund, which is financed entirely with funds from member states (USD 200 million from India; USD 100 million from other states). The development fund is supporting three regional projects on women's rights, maternal/child health, and teacher training. SAARC's (largely Indian-funded) South Asia University is scheduled to open in August 2010 in New Delhi, and will include students and faculty from all SAARC member states, with the goal of promoting a "regional vision."

SAFTA Minimal Impact

19. (SBU) On trade, SAARC India Director Kwata said that implementation of the South Asia Free Trade Agreement (SAFTA) is proceeding at a faster pace than planned, but its impact on regional trade is minimal. The list of goods exempted from SAFTA (the "negative list") is extensive, and in most cases, the bilateral trade regimes are more preferential than SAFTA. The one exception is Bangladesh-India trade, which has grown under the SAFTA framework, according to Kwata. Professor Bishwambher Pyakuryal, senior economics professor

at Tribhuvan University and former consultant to SAARC, argued that the main impediment to regional trade is not tariffs, but rather non-tariff barriers; SAARC has done little to address that issue.

¶10. (SBU) Professor Pyakuryal suggested that South Asian governments do not fully appreciate the advantages of regional trade, which he believes are substantial. He noted that South Asia does not have a history of regional trade, so countries are largely unaware of their technical and productive comparative advantages, and of regional demand for products. Non-political, technical studies that highlights the benefits of regional trade and investment could be useful in building consensus on regional economic integration, Pyakuryal said. He suggested that an economic study by Pakistan Institute of Development Economics (PIDE) was a significant factor in Pakistan's decision to sign SAFTA, in part because it gave the Government of Pakistan "cover" to sign the economic accord.

16th SAARC Summit

¶11. (SBU) The leaders of SAARC member states will convene at the 16th SAARC Summit in Thimpu, Bhutan, April 28-29, 2010 to discuss progress on agreements from the last summit (Colombo 2008) and prepare for the year ahead. This will be Bhutan's first time hosting the summit, which rotates capitals each year. (Note: There was no summit in 2009; the previously chosen host, Maldives, declined to organize the summit because of economic concerns. End note.) According to Sharma, the overall summit theme will be climate change.

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Other agenda items will likely include SAFTA, expansion of the SAARC development fund, food security, and energy.

Comment

¶12. (SBU) While regional politics limit SAARC's effectiveness, SAARC remains a low-cost, low-risk platform for promoting regional cooperation on cultural, economic and technical issues. With time, this cooperation could spill over into the political realm. SAARC also provides a convenient forum for regional leaders to meet, even when bilateral dialogue is politically-difficult. Post will continue engage the SAARC Secretariat and seek opportunities to support SAARC's ongoing regional work.

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